

VOLUME 11B, CHAPTER 12: “EXPENSES”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated October 2002 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
VARIOUS	Deleted specific verbiage involving expenses for military personnel, depreciation and real property maintenance because policies are already captured in this regulation.	Delete
1201	Verbiage added regarding the method that should be used to allocate expenses to projects.	Update
1202	Language added to provide the details on how to cost out and report military personnel within the WCF.	Update
1203	Added guidance in establishing useful life of capital assets.	Update
1204	Update policy to expense management improvement initiatives that do not qualify for the Capital Investment Program.	Update
1205	Update policy to expense major real property maintenance in the period in which the maintenance and repair occurs except when performed with respect to idle assets.	Update
1207	Updated hyperlinks to include hyperlink to the USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update

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CHAPTER 12

EXPENSES

*1201 GENERAL

As used in this chapter, expenses are outlays of resources during an accounting period to carry out the mission of the Defense Working Capital Fund (DWCF) during operations, or depreciation recorded in recognition of an outlay that occurred in a previous period. These can result from provision of goods and services or from performing other activities. Under the full cost approach, all expenses are allocated to projects. See *Statement of Federal Accounting Standards Number 4*, “Managerial Cost Accounting Concepts and Standards for the Federal Government.” Costs that are easily identifiable as related to specific projects will be directly assigned as work is incurred. Other costs can be assigned using cost allocation spend plans or other allocation methodologies that allow for a reasonable and consistent association with the project. Additional information relating to expenses can be found in Volume 4, Chapter 17, “Expenses and Miscellaneous Items,” of this Regulation. The treatment of expense items by the DWCF entities is different from the treatment accorded to expenses related to appropriation funded activities. For DWCF entities, all expenses, unless specifically exempted by higher management, are costs that shall be recovered through billings to customers.

*1202 MILITARY PERSONNEL EXPENSE

120201. Military Personnel Cost

The cost of military personnel involves two separate processes. The first involves the payment to military personnel appropriations for the budgeted amount of military personnel for an activity group – regardless of the actual number of military personnel assigned. The second involves the costing of military personnel to jobs or cost centers for work performed at the civilian equivalency rate for the number and grade of military personnel assigned to the DWCF activity. Rate guidance is provided in Volume 11A, Chapter 6, Appendix B of this Regulation. See Volume 2B, Chapter 9 of this Regulation for additional military personnel pricing policy.

120202. Military Leave or Other Absences

There will be no additional acceleration of the civilian equivalency rate charged to customer orders for military leave or other absences.

120203. Military Personnel Services

Military personnel services reimbursement in support of DWCF operations must be priced using the civilian equivalency rate. The Military Department and the DWCF may schedule reimbursement of the appropriate military appropriation at the beginning of each fiscal year, or in the last month of each fiscal year quarter.

120204. Unresolved Disputes

In the event of an unresolved dispute between the military personnel appropriation manager and a DWCF activity on the budgeted amount of the deposit, the budgeted amount requested by the military personnel appropriation manager shall be provided. Upon resolution of the dispute, the DWCF activity shall be provided a refund, if any is due, of the applicable amount.

120205. Variances

As a result, a variance may result between the amount paid to military personnel appropriations and the amount applied to work performed. That variance will result in a debit or credit amount in [United States Standard General Ledger \(USSGL\) 2110 Accounts Payable](#). The amount of the variance shall be reduced to zero at the end of the fiscal year by adjusting [USSGL 2110Accounts Payable](#) and [USSGL 6100 Operating Expenses/Program Costs](#) equal the amount budgeted paid to the military personnel appropriation. The purpose of this adjustment is to eliminate the variance between the costs applied to work performed and the budgeted amount. After this adjustment, no additional adjustment is required to the DWCF Accounting Report 1307, Part V of the Statement of Operations for military personnel since the budgeted amount paid to the military personnel appropriations is included in the recoverable cumulative results of operations.

***1203 DEPRECIATION EXPENSE**

Depreciation is the recognition of cost over the asset's useful life. In most cases, depreciation expense included in stabilized rates or prices recovers cash used by the fund to acquire or replace assets. Recovery of depreciation expense is the primary financing source for DWCF capital investments.

120301. Capital Equipment

Depreciation of capital equipment will be fully reflected in the operating costs and rates of DWCF business entities.

120302. Capital Assets Transferred In

Depreciation of capital assets that are transferred into a DWCF business entity without reimbursement and have no preexisting depreciation schedules or accumulated depreciation must be calculated based on net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation and other related costs necessary to put the asset into operational use. All assets classified as capital, which require depreciation in accordance with generally accepted accounting principle, must use reasonably accurate useful lives.

120303. Depreciation Budgeting

Guidance related to budgeting for depreciation can be found in Volume 2B, Chapter 9 of this Regulation. For additional information relating to depreciation of DoD capital assets, refer to Volume 4, Chapter 6 of the DoD Financial Management Regulation.

***1204 MANAGEMENT IMPROVEMENT INITIATIVES**

Any management improvement initiative that does not qualify for the Capital Investment Program must be expensed and is not subject to depreciation.

***1205 REAL PROPERTY MAINTENANCE AND REPAIR**

Major real property maintenance and repair **must** be expensed in the period in which the maintenance and repair occurs **except** when performed with respect to assets that have been taken out of service, are idle during the period(s). In the case of idle assets, major repairs and maintenance may be reported as deferred since expenses should be recognized in the Statement of Net Cost on the basis of direct association between the costs incurred and the services provided. See Volume 4, Chapter 6 of this Regulation for further policy on real property maintenance and repair.

1206 MANAGEMENT HEADQUARTERS COSTS

120601. General

Each DWCF activity, or group of activities is under the management control of a designated DoD Component. The DWCF headquarters management is related to specific DWCF activity operations, and is separate from the general policy direction for the department or a DoD Component. Management headquarters funded from the DWCF must be identified in the DWCF Charter (Management Command) for each applicable activity group (see Chapter 2 of this volume for guidance on DWCF charter requirements).

120602. Identification and Payment for Headquarters Costs

Costs for discrete DWCF management headquarters organizations, and parts of organizations that perform DWCF management headquarters functions, should be directly funded by DWCF or reimbursed by DWCF on a pro rata basis. Significant costs for common support (e.g., counsel and personnel) at organizations partially funded or reimbursed by DWCF (i.e., that have direct DWCF management responsibilities) also should be allocated, if feasible. Only significant costs should be reimbursed. Significant headquarters costs are **those** that exceed 1 percent of the total activity group costs, or \$1 million, whichever is greater.

***1207 ACCOUNTING FOR EXPENSES**

The [USSGL Standard Financial Information Structure Transaction Library](#) illustrates the accounting entries and USSGL accounts to be used.